

Select Topics In Health Insurance

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Louisiana



Federalized Ind. Market Changes Pricing

(Pricing Variation Muted By Extinction of Original Product)

Market	2010 Price*	2016 Price	Difference	2016 Changes
New York City	\$897.73	\$627.11	(\$270.62)	No OON, OOP max \$6850
Albany, NY	\$805.53	\$530.61	(\$274.92)	No OON, OOP max \$6850
Denver, Co	\$533.25	\$628.30	\$95.05	No PPO, OOP max \$6850
Philadelphia	\$499.16	\$628.30	\$129.14	OOP max \$6450, Ded \$2000, 70/30 coins
<u>Baton Rouge</u>	\$368.10	\$630.86	\$262.76	OOP max \$5000, Ded pharma \$500
Salt Lake City	\$355.27	\$419.67	\$64.40	No PPO, No OON, OOP max \$2850
Atlanta	\$281.90	\$500.20	\$218.30	OOP max \$2750
Omaha	\$251.14	\$671.75	\$420.61	OOP max \$4000, 75/25 coins
Phoenix	\$231.40	\$434.23	\$202.83	OOP max \$6000, \$500 ded, No OON
Lexington	\$198.32	\$518.68	\$320.36	OOP max \$6000, No OON coverage

*Starting Product: \$1,000 deductible PPO, 80/20 coins, \$2,000 OOP or less and At least 60/40 OON coverage.

In the News...BCBS Nationwide

Arizona

- Blue Cross last insurer standing in all counties
- +21.4% Rate Increases
- Lost \$185m in 2015-16 so far

Texas

- 2017 Rate Increases +60%! (NO PPO!)
- Lost \$1.1Billion in 2014-2015

North Carolina

- 2017 Rate Increases +19%
- Lost \$405m in 2015+2016 so far

Illinois

- Eliminating PPO for 2016-2017
- Expected Rate Increase +50%
- Lost \$442m in 2014, \$375m in 2015

New Mexico

- Coming back to Exchange in 2017 with rates +73%
- Eliminated all plans and started over for 2017.

**Louisiana Blue! Lost \$200m on Individual Products 2014-2015.
Individual Rates +11% to +44% in 2017!**

**One Insurer
lost \$650m.
Pulled from all
states but NY,
CA, NV.**

PPACA Cost Impact on BCBSLA

87% of Premiums Went to Medical in 2015

In 2015, BCBSLA collected \$3.14B in risk premiums, broken out like this:

- 7% Workforce
- 4% Commissions
- 4% Taxes/ACA Fees
- 2% Reserves



Losses on 9.5% of members drove entire enterprise to a \$66m Loss.

2011 Results Based on \$2.5B Premiums →

37% Hospital	31% Physician / Clinical Services	17% Prescription Drugs	15% Total Overhead
\$925m	\$775M	\$425M	\$375M

- 6% Workforce
- 5% Commissions
- 3% Reserves
- 1% Taxes/Fees

Why The Big Miss?

Pre-2014 population vs. ACA post-2014 population

- 2x as likely to be obese
- 2x as likely to suffer from substance abuse
- 2.5x as likely to visit an ER
- 2.5x as likely to suffer from Hepatitis C
- 3.5x as likely to suffer from HIV
- 67% more likely to be diabetic
- 50% more likely to suffer from depression
- 50% more likely to visit an Urgent Care center
- 21% more likely to be hypertensive

Direct comparison between our 2013 120,000 person individual block and our 80,000 new 2014 customers based on behavior, disease prevalence, and costs.

Translated to 80% HIGHER claims costs in 2014!

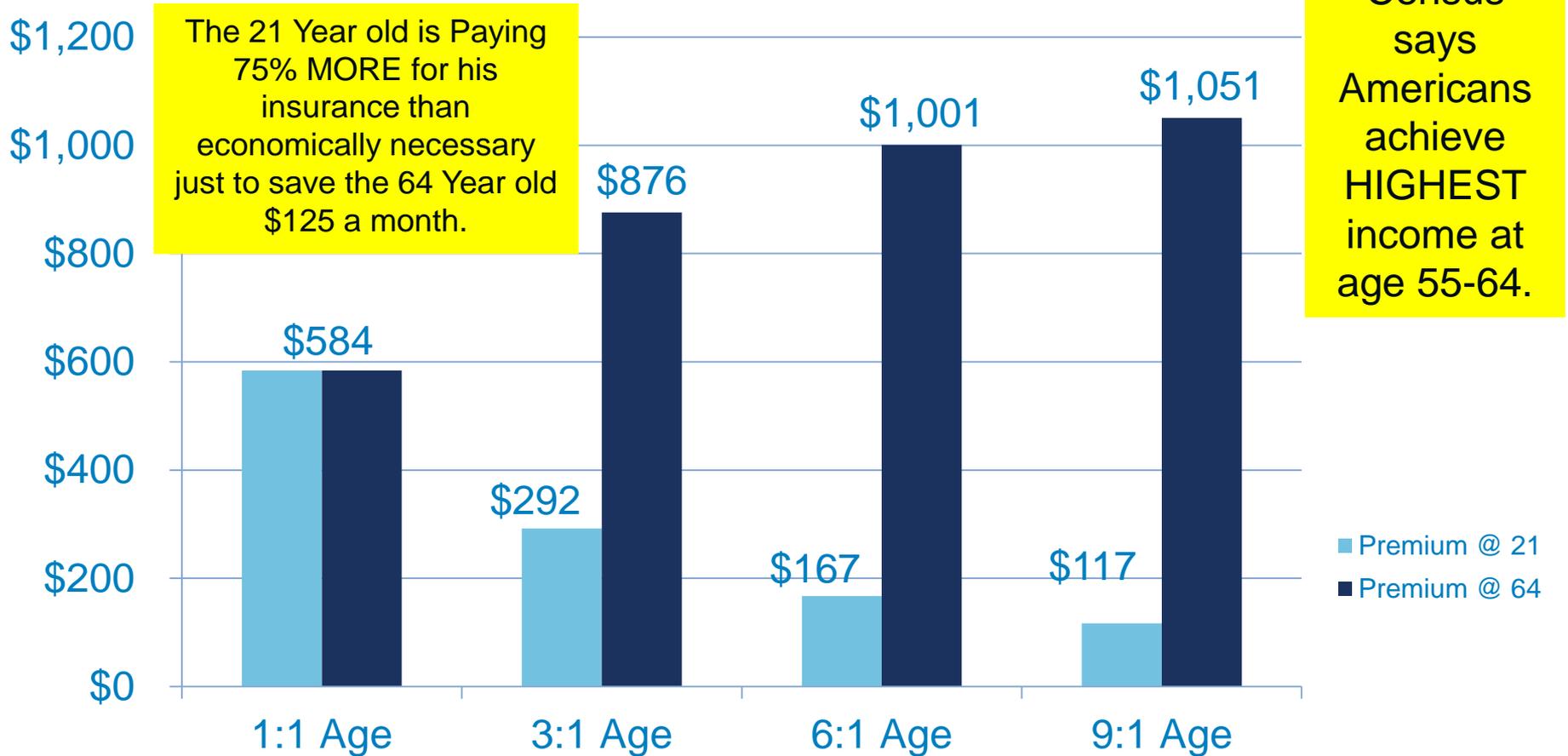
Individual Risk Pool is Out of Balance

- Average Age of Louisianan = 34 Years Old
 - **Risk Pool Avg. Age = 44 years**
- State is 51% Female
 - **Risk Pool is 57% Female**
- Only 40% of Insured stay for 12 continuous months of coverage.
 - **Pre-ACA Population = 47 months.**

ACA and apathetic Agencies have Created an Individual Risk Pool with TONS of Escape Routes

- Lack of Federal Enforcement means people can easily buy coverage AFTER they get sick.
- Flawed non-economic age rating formula drives out young and healthy.
- Kids to age 26 on parent's policy drives out young and healthy.
- Generous new mandates drive up coverage costs once in the pool. Lots of freebies.
- Overlay natural growth in PHARMA, hospital spending and costs keep rising.

Young People Are Driven Out By Non-Economic Age Rating of 3:1



The 21 Year old is Paying 75% MORE for his insurance than economically necessary just to save the 64 Year old \$125 a month.

Census says Americans achieve HIGHEST income at age 55-64.

Need \$1,168 to cover costs

2016 Pricing for 2nd Cheapest Silver Plan on www.healthcare.gov for zip code 70810 at age 21 and 64

Leaky Risk Pool and Apathetic Agencies (Continued)

- Individual Mandate now has 29 Separate Exemptions (Expect Trump to make worse)
- 90 Day Grace period with no carrier to carrier tracking means I get 12 months of coverage for 9 months of premiums.
- “No Documentation” special enrollment process means I can buy coverage all year long.
- Average customer duration has dropped from 47 months to less than 15 months

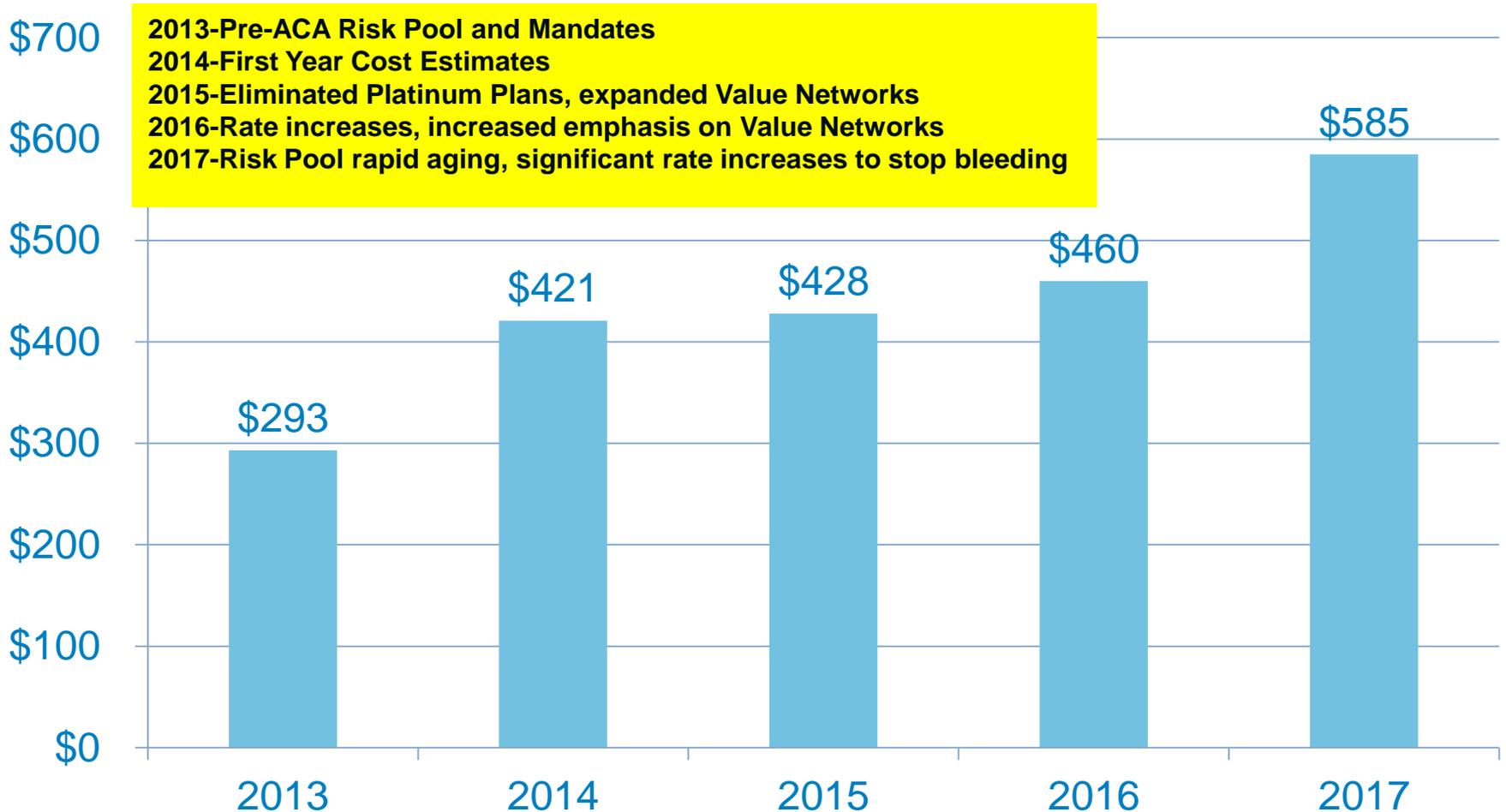
Immediate Threats to Individual Health Insurance Markets

- **Failing to take immediate actions to improve risk pool.**
- **Federal government eliminating payments for:**
 - **Cost Sharing Reductions (CSRs)**
 - **2016 Reinsurance**

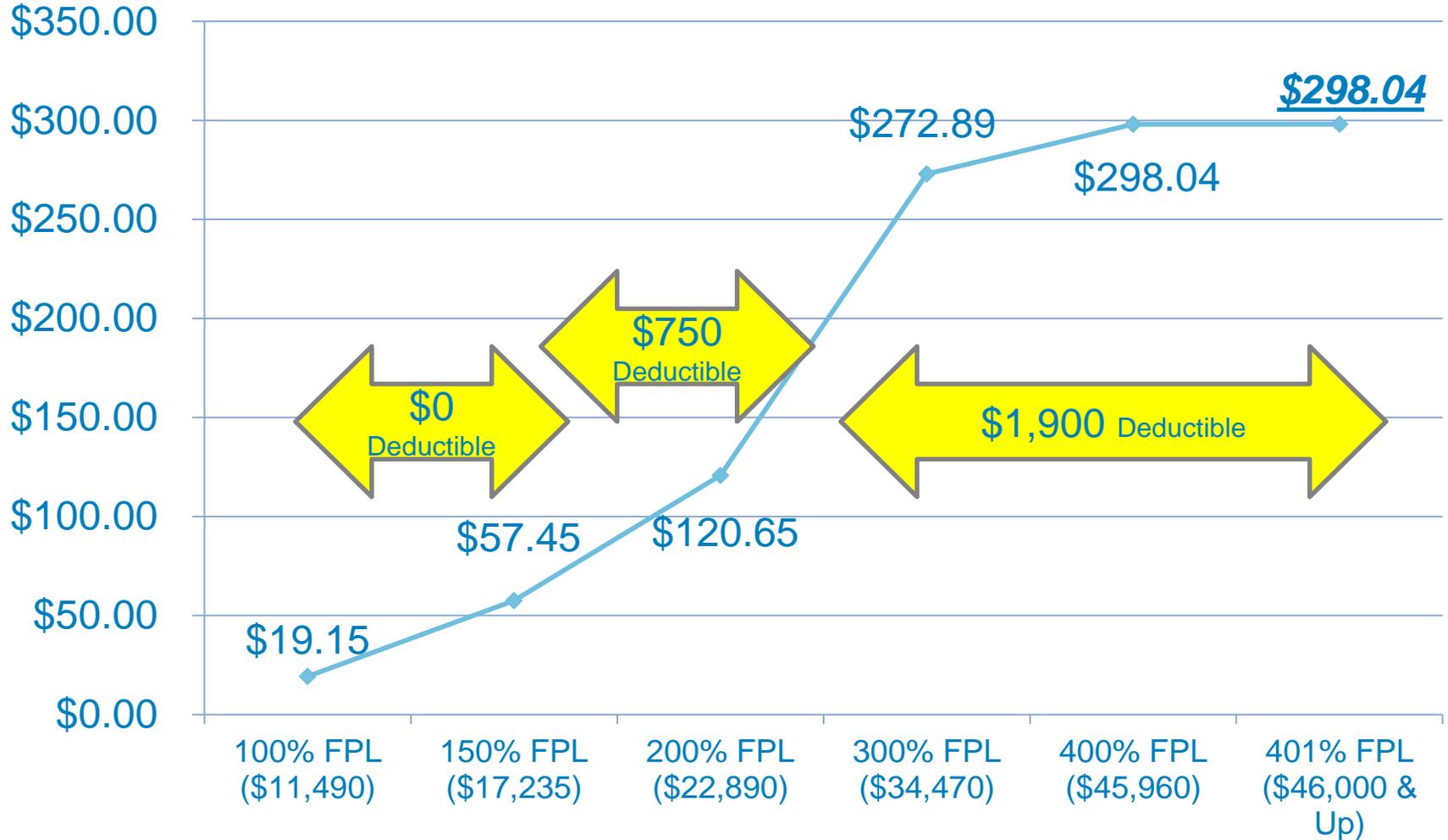
Consequences:

- **More upward pressure on rates**
- **More incentives for carriers to leave markets**

Individual Premiums in the Post-PPACA Era



How Cost Sharing Reductions Work

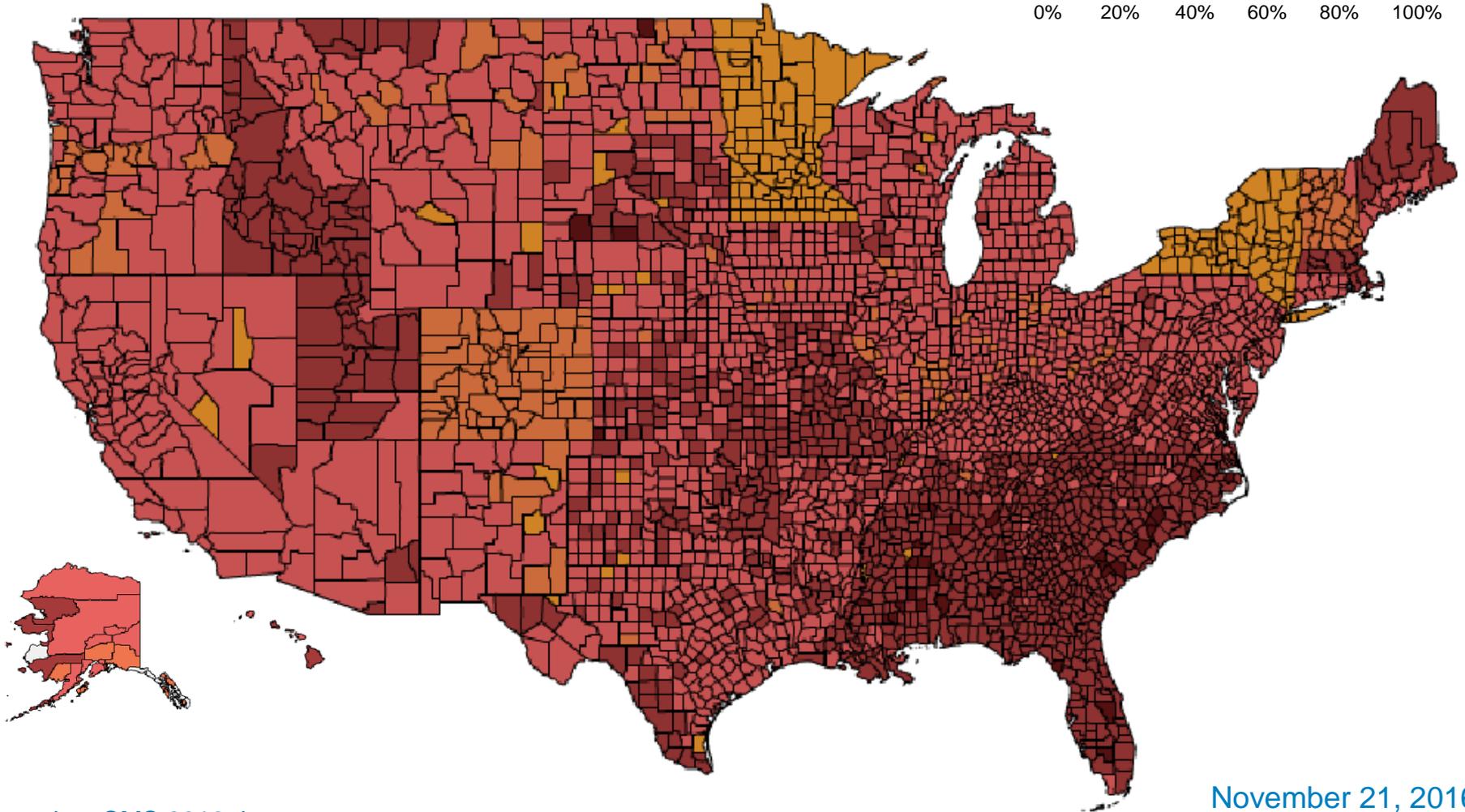
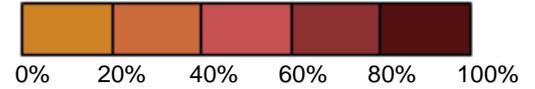


Assumes purchase of Benchmark Silver Plan (2nd Cheapest Silver Plan for that customer)

Millions of People are Receiving Cost-Sharing Subsidies

Significant numbers are in rural America*

Percent Enrollees with CSR



November 21, 2016

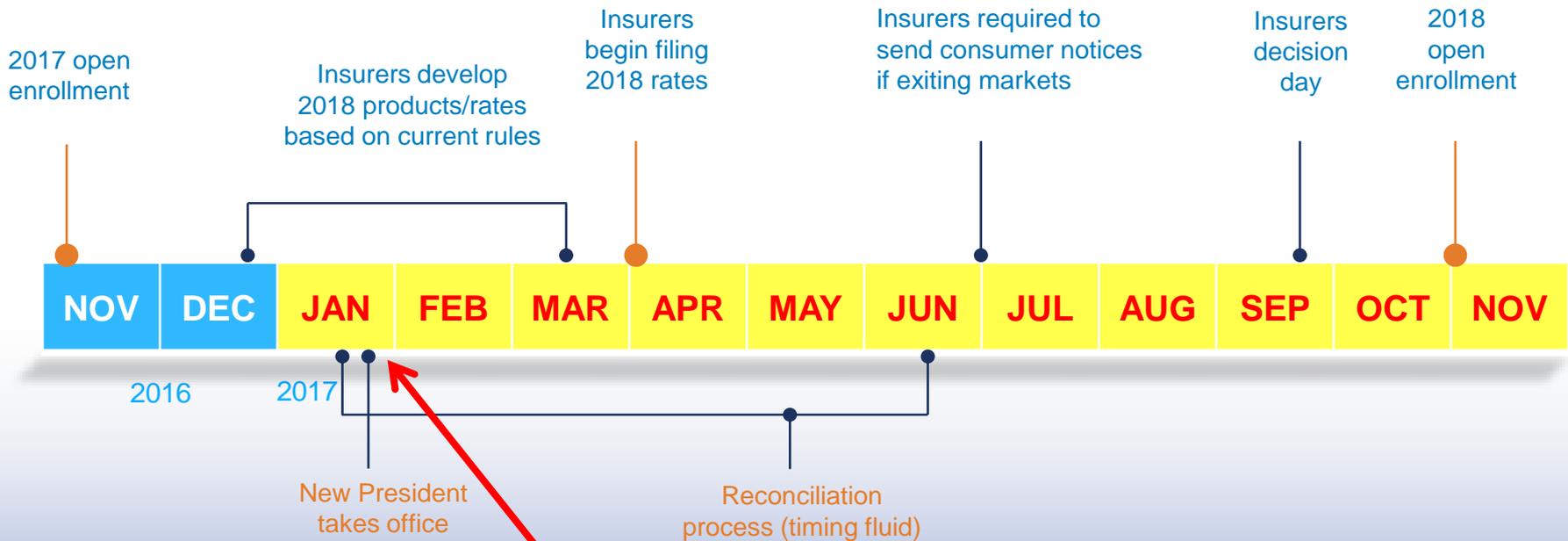
*Based on CMS 2016 data.

FFM states = % CSR-enrolled population by county. SBM states = % CSR-enrolled population by state, county-level data not available.

How to Make Things Worse...

- Remove Cost Sharing Reductions or Advanced Tax Credits.
- Eliminate Individual Mandate
- Eliminate Employer Mandate
- Stop funding Reinsurance Programs
- Never finish Funding Risk Corridors
- “Repeal” Obamacare and.....
- **Nightmare scenario: After all the above, KEEP Guaranteed Issue Coverage**

Timing Is Critical: Key Dates for Developing 2018 Products/Premiums



**Republican Legislative
retreat January 25-28**

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QUESTIONS ANSWERED

BERTAUT TALKS ACA,
RATE INCREASES
AND MORE

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THAT

WAS A SURPRISE

With President Trump,
What Happens to My Health Insurance?

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BUILDING A RISK POOL

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CAN YOU AFFORD YOUR MIRACLE?

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HAD A HEART ATTACK!

WHO MAKES SURE YOU
GET YOUR LIFE BACK?

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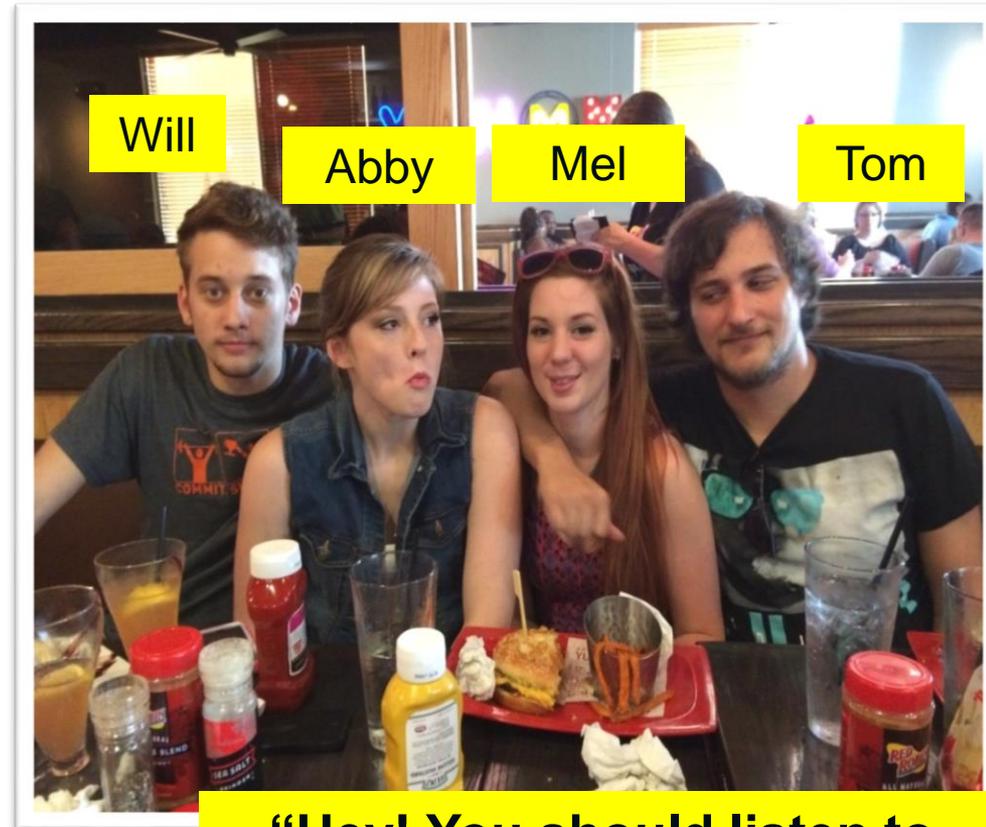
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I'd Love to Hear From You!



**“Hey! You should listen to our Dad, He’s a GENIUS!”
(Not really, he just made us say that cause he’s worried about TOPS going away!)**